

# Community Development Financial Institutions Fund

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U.S. Department of the Treasury

# *CDFI Fund Background*

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- ➡ Created in 1994
- ➡ Supports financial institutions that provide credit and financial services to low-income persons or to distressed urban, rural, and Native American communities

# *CDFI Fund Initiatives*

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## ➔ CDFI Program

- ➔ Core Component

- ➔ Intermediary Component

- ➔ SECA Component

## ➔ Bank Enterprise Award (BEA) Program

## *CDFI Fund Initiatives (Cont'd)*

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- ➔ Native American Technical Assistance Program
- ➔ Training Program
- ➔ New Markets Tax Credit (NMTC) Program

# *What is a CDFI?*

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A community-based non-profit or for-profit financing institution certified by the CDFI Fund to meet criteria including:

- Primary mission of community development
- Serving a target market or population
- Providing financing
- Providing development services (such as counseling or training)
- Accountable to those it serves
- Non-governmental entity

# *How Can a CDFI Benefit Your Community?*

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- ➔ Creates and Retains Jobs
- ➔ Creates and Grows Businesses
- ➔ Develops Housing
- ➔ Builds Financial Skills and Capacity
- ➔ Creates Community Based Institution

## *Types of CDFIs*

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- ➔ Community Development Banks & Bank Holding Companies (Blackfeet National Bank)
- ➔ Community Development Credit Unions
- ➔ Community Development Loan Funds (Alaska-Growth Capital BIDCO, Inc., Tlingit-Haida Regional Housing Authority, and Hopi Credit Association )
- ➔ Microenterprise Loan Funds (Lakota Fund)
- ➔ Community Development Venture Capital Funds

## *The CDFI field - how big is it?*

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As of April 1, 2001, the CDFI Fund has  
certified over 412 CDFIs.



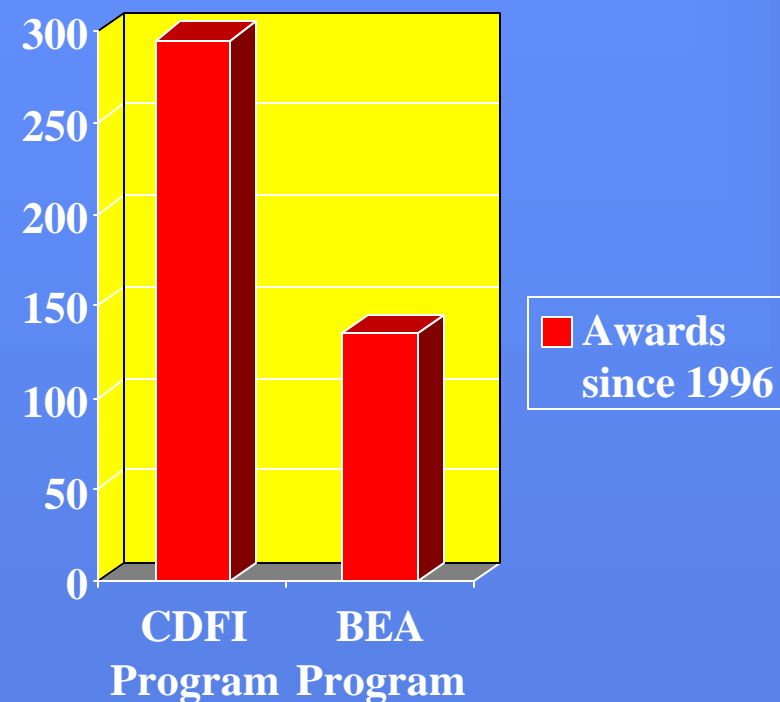
# *CDFI Fund Awards*

## CDFI Program

- 507 awards
- \$294.4 Million

## BEA Program

- 432 awards
- \$135.2 Million



# *The CDFI Program*

## *Core Component*

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Invests in and builds the capacity of CDFIs.

- ➔ flexible types of assistance: grants, loans, equity investments, deposits & technical assistance
- ➔ demonstrate market & institutional needs through a 5-year business plan
- ➔ required one-to-one non-federal match
- ➔ evaluation factors include: financial performance, management capacity and market analysis

# *The CDFI Program*

## *Small and Emerging CDFI Assistance (SECA) Component*

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### **Technical Assistance for CDFIs to strengthen the capacity of the organization to serve its Target Market.**

- ➔ anticipated max of \$ 50,000
- ➔ awards in the form of a grant to purchase TA
- ➔ no matching funds required
- ➔ eligible uses include: consultants; technology; staff training;
- ➔ and staff support for targeted activities

### **Financial Assistance for CDFIs to assist them to fulfill business plans.**

- ➔ max \$150,000
- ➔ match required
- ➔ must request TA and FA, not FA alone

# *The CDFI Program*

## *Small and Emerging CDFI Assistance (SECA) Component*

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**Special eligibility requirements for applicants requesting financial assistance.**

- ➡ no prior financial assistance awards from Fund
- ➡ max \$5 million in assets if not a bank/bank holding company
- ➡ if a bank/bank holding company, chartered for 3 years or less

# *Investments In Indian Country*

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- **Alaska Growth Capital BIDCO**, Anchorage, AK
- **First American Credit Union**, Window Rock, AZ
- **First Nations Oweesta Corporation**, Fredericksburg, VA
- **Hopi Credit Association**, Keams Canyon, AZ
- **Lakota Fund**, Kyle, SD
- **Native American Development Corporation**, Billings, MT
- **Nebraska Micro Enterprise Partnership Fund**, Walthill, NE
- **New Mexico Community Development Loan Fund**, Alb, NM
- **Rural Community Assistance Corporation**, Sacramento, CA
- **South Dakota Rural Enterprise, Inc.**, Sioux Falls, SD
- **Tlingit-Haida Regional Housing**, Juneau, AK

# *Services being provided*

*Across the country, CDFI Fund Awards are helping to:*

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## **Provide Affordable Banking Services**

- ➔ Low-minimum savings accounts
- ➔ Direct deposit accounts
- ➔ Individual development accounts
- ➔ “Drive to work” programs providing used car loans and related training
- ➔ Consumer loans for home and car repair
- ➔ “School banking” programs

## **Provides:**

- ➔ Technical Assistance
- ➔ Financial Literacy Programs
- ➔ Homebuyer Counseling

# *Services being provided*

## *(continued)*

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### **Provide Financing For:**

- ➡ Single- and multi-family housing
- ➡ New and creative low-interest mortgage products
- ➡ Special needs mortgage products such as for the disabled
- ➡ Neighborhood revitalization and planning services

### **Provide Venture Capital to Create and Maintain Jobs**

- ➡ Provide seed and expansion capital for small businesses
- ➡ Develop partnerships and leverage other private capital

### **Provide Financing For:**

- ➡ Day care centers, health care clinics and community centers
- ➡ Small business loans
- ➡ Micro business loans

# *Performance and Impact*

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\$3 billion in community development loans and investments made by 1996 & 1997 awardees have:

- ➔ supported up to 6,000 microenterprises & businesses;
- ➔ created or maintained up to 41,000 jobs;
- ➔ developed or rehabilitated up to 52,000 units of affordable housing;
- ➔ supported up to 823 community facilities, including childcare centers, health care centers, charter schools, and job training centers; and
- ➔ Provided 174,000 checking and savings accounts totaling over \$442 million.



# *The BEA Program*

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The BEA Program provides incentives to banks and thrifts to **invest in CDFIs** and/or increase their lending, investments and the provision of financial services within distressed communities.

Banks can receive CRA credit for these investments

# *Activities of BEA Awardees*

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The financial institutions awarded through the first five rounds of the BEA Program have provided:

**\$683 million** in equity investments and financial support to CDFIs; and

**\$2.53 billion** in direct lending and financial services in distressed communities.

# *Native American Training & TA Program*

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**PROGRAM:** \$ 5 Million for Training and Technical Assistance for Native American Communities

**PURPOSE:** To Increase Access to Capital in Native American, Native Hawaiian, and Alaska Native Communities

**PROGRAM TO:**

Enhance Capacity to Provide Access to Capital and Credit

Assist Financial Institutions Serving These Communities

Assist Tribes, Villages and Native Hawaiian Communities to Establish CDFIs

# *Native American Lending Study/Action Plan*

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**Congressionally authorized to:**

**Identify barriers** to private financing

**Identify impacts** of such barriers on access to capital and credit for Native American populations

**Recommend** necessary **statutory and regulatory changes** to existing federal programs

**Make policy recommendations** for community development financial, insured depository, secondary market, and private sector capital institutions

Submit a **final report** to the President and Congress

# *NEW MARKETS TAX CREDIT*

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*Spurring Investment for Business  
Growth in Urban and Rural  
Communities*

## *New Markets Tax Credit*

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- ➔ Passed on December 21, 2000, as part of the Community Renewal Tax Relief Act of 2000
- ➔ Allows taxable investors that make equity investments in Community Development Entities (CDEs) to receive tax credits covering a portion of their investments

## *New Markets Tax Credit (cont'd)*

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- ➔ The credit provided to the investor covers a period of seven years
- ➔ The credit is valued at 5% of the total investment in each of the first three years, and 6% in each of the final four years
- ➔ The NMTC will spur \$15 billion in business investments in Low-Income communities over seven years.

# *How the NMTC Will Work*

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**Step 1:** CDFI Fund will designate Community Development Entities (CDEs)

**Step 2:** For-profit CDEs may apply to the Fund for allocation of tax credits

**Step 3:** Fund will select CDEs to receive tax credit allocations

**Step 4:** Selected CDEs will issue tax credits to equity investors



## *How the NMTC Will Work (cont.)*

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**Step 5:** CDEs will use the proceeds from the equity investment to:

- ➡ Invest in or lend to businesses located in Low-Income Communities;
- ➡ Provide technical assistance to such businesses; or
- ➡ Invest in, lend to, or purchase loans from other CDEs that support businesses in Low-Income Communities.

# *How the NMTC Will Work (cont.)*

## **How New Market Tax Credits Work**



## *What is a CDE?*

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- ➡ Has a primary mission of serving Low-Income Communities or persons
- ➡ Is accountable to residents of its Low-Income Communities
- ➡ Is designated as a CDE by the Fund

**Note:** CDFIs and SSBICs automatically qualify as CDEs, but must apply to the Fund to receive their designation.

## *Why Become a CDE?*

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- ➡ For-profit CDEs may apply to the Fund for the authority to issue tax credits to equity investors
- ➡ Certain CDEs (including non-profit CDEs) are eligible to receive loans and investments from those for-profit CDEs that have been allocated tax credits from the Fund

## *Current Status*

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- ➡ On May 1, 2001, the Fund and IRS each published documents for public comment in the Federal Register.
- ➡ The Fund is seeking comments relating to the designation of CDEs and the competitive allocation of tax credits.
- ➡ IRS is seeking comments relating to tax policy, including qualifying investment activities and recapture events.

## *Next Steps*

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- ➡ Comments are due to the Fund and to IRS no later than July 2, 2001.
- ➡ IRS will develop implementing regulations.
- ➡ The Fund will develop application materials.
- ➡ It is anticipated that the Fund will accept applications from organizations seeking designation as CDEs in the Fall.
- ➡ A Notice announcing the competitive allocation of tax credits will be published after IRS publishes the implementing regulations.

# CONTACTING THE FUND

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## CDFI Fund's Main Number

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